

CIA agent who used 2/3 Rewald firm as a cover 'identified' at meeting

By Walter Wright
Advertiser Staff Writer

~~Richard~~ ~~who used the firm of Bishop Baldwin Rewald Dillingham and Wong as a cover beginning in 1979, according to reliable information received by The Advertiser.~~

~~He is also the agent who took all of his money, less than \$200,000, out of his Bishop Baldwin account when the CIA became alarmed about a investigation of company by Board Chairman Ronald Rewald. The Advertiser has learned.~~

Later, more than \$4 million came into the company from other investors while it continued to operate.

Bankruptcy administrator Thomas Hayes said yesterday he still has no proof the CIA is liable for any losses suffered by Bishop Baldwin. But he said he will sue the intelligence agency if he can prove it knew Bishop Baldwin was a fraud and did nothing to stop it.

During a bankruptcy creditors' hearing yesterday, Hayes again insisted Rewald was running a ponzi scheme, in which new investor money is used to pay interest on old investments. Hayes angrily denied charges that the bankruptcy proceeding itself caused the company to collapse last August.

When Rewald's attorney, Robert Smith, said that if it weren't for the bankruptcy petition, it would still be "business as usual" at Bishop Baldwin, Hayes exploded.

Business as usual, Hayes stormed, means stealing more money.

~~Hayes and his attorneys said individual investors probably have better claims against the CIA, if any exist, than the company does.~~

~~"Cavanaugh" was named yesterday in the creditors' meeting by one of the investors who already is suing the CIA on grounds the agency lent credibility to the Bishop Baldwin operation and caused investors to lose money.~~

The allegation about "Cavanaugh" by investor Ted Frigard was one more turn of the screw to try to force the CIA to settle with investors, or refute claims that the CIA ran the company or at least should have known what was going on.

"Cavanaugh" is not the agent's real name, But Frigard said he and many others know the real name. And Frigard agreed with an official who said yesterday that lives may be at stake if the agent is actually identified.

Rewald, facing charges he defrauded investors, insists the firm was run by the CIA as an intelligence cover, and that the CIA is responsible for its collapse. The CIA acknowledges a slight involvement with Rewald, but denies it established or ran the company.

Frigard, in a prepared statement presented to bankruptcy trustee Rey Grauly at the creditors' meeting, said a former receptionist for the company said on a local radio station last week that it was commonplace for CIA personnel to visit Rewald. Frigard quoted the receptionist as naming "CIA agent Richard Cavanaugh (sic) also known as James T. Bishop, one of the founders" of the company.

Questioned later, Frigard said other independent sources confirmed to him that Cavanaugh and Bishop were the same man, a CIA agent with another name. He declined to reveal the real name of the agent.

The Advertiser has learned that "Richard Cavanaugh" was one name used by a man who in 1979 asked Rewald to give him stationery identifying him as a representative of a Bishop Baldwin "subsidiary," CMI Investment Corp.

And documents reviewed by The Advertiser, together with accounts from a reliable source, indicate that "Cavanaugh" was indeed a bona fide CIA agent who used Bishop Baldwin as a cover.

STAT

SITREP 1 of THURSDAY, APRIL 26, 1984 PREPARED BY SHEILA YAMAMOTO

1. ADVERTISER, THURSDAY, APRIL 26, 1984

- ***a. CIA Agent Who Used Rewald Firm As A Cover Identified
At Meeting-A-3-SeeTelArt.
***b. Heftel Sees Maze Of Abuses In Taxation-D-7-SeeTelArt.

Heftel sees 'maze' of abuses in taxation

By Kit Smith
Advertiser Financial Editor

The income tax system "is breaking down and in need of replacement," says Rep. Cecil Heftel. And he has a concrete idea — a "progressive consumption tax," the subject of a House bill he introduced in November.

But the form of taxation isn't the real issue, he told a Hawaii Economic Association luncheon yesterday at the Ala Moana Americana. Rather the issue is doing away with "the maze of exceptions, exclusions and shelters" in today's system, he said.

The same sorts of abuses, he conceded, could be built into a consumption tax.

At stake, he said, is continued recovery of the economy. If \$200 billion annual deficits continue, interest rates will rise as the government's borrowing needs grow, he said. "And less money will be available at sensible rates for business . . . and your economic base will shrink."

Heftel came down hard on what he called abuses in uses of industrial development bonds, which are exempt from federal income taxes. In authorizing such bonds, Congress had in mind such things as hospitals

and energy projects, he said, but they are used also for the likes of baseball stadiums, parking lots and "hamburger stands."

"I don't think you need a tax inducement to build a McDonald's. If it makes economic sense, they'll build it."

A consumption tax, although it sounds like a sales tax, is more like an income tax. It's calculated by adding up all of a taxpayer's income and other receipts available for consumption. Then, subtracted from that are amounts saved or invested during the year. What's left is taxed, on the assumption that what is not saved or invested must have been spent for consumption.

The consumption tax's theory is that people should be taxed according to how much they take out of the national income and not on how much they put in," Heftel said.



STAT

APR 26 '84 07:56 SEN INOI HONOLULU HAWAII

P.03

In July 1979, "Cavanaugh" wrote to Rewald from a Sherman Oaks, Calif., address, but in an envelope post-marked Prince Georges, Md. In the letter, "Cavanaugh" thanked Rewald "for the extraordinary amount of time and effort you devoted to my visit earlier this month."

He said he was able to locate a small office "in a building where an old friend also has an office, and arranged for a phone in my name."

"Cavanaugh" asked for a "minimum order" of stationery for himself. The stationery, prepared in the format "Cavanaugh" suggested, bore the letter head CMI Investment Corporation, showed the "West Coast representative" as Richard P. Cavanaugh at the Sherman Oaks address, and described CMI as "a subsidiary of Bishop Baldwin, Rewald, Dillingham & Wong."

The existence of an agent who used Bishop Baldwin as a cover and also invested some of his own funds was revealed in news stories several weeks ago. The link between "Cavanaugh" and the investment account withdrawn from Bishop Baldwin last spring is borne out by comparison of handwriting of "Cavanaugh" and the account holder.

The CIA moved to get "Cavanaugh" clear of Bishop Baldwin after Rewald complained to the CIA on Jan. 18, 1983, that the IRS investigation of Rewald was threatening the security of several CIA covers connected to the firm.

The CIA asked the IRS to halt the investigation long enough for the CIA to check on its relationship to the company. It has been reported. During that period, about a month, the CIA told "Cavanaugh" he had a conflict of interest and had to withdraw his money from the company.

Later, using another name "Cavanaugh" wrote to Rewald:

"Dear Ron,

"Thanks for getting everything closed out for me. Unfortunately from my view but it at least clears the air with my home office who are now seemingly satisfied that there is no 'apparent' conflict of interest, but must be Simon pure"

He went on to say that "I also assume that your 'tax problem' with CMI has all been taken care of."

"Pleased to see from some of the recent literature the company has been sending out that BBBDW is further expanding its reputation. You must be very pleased and proud of the company's progress over the last few years."

3/3

STAT